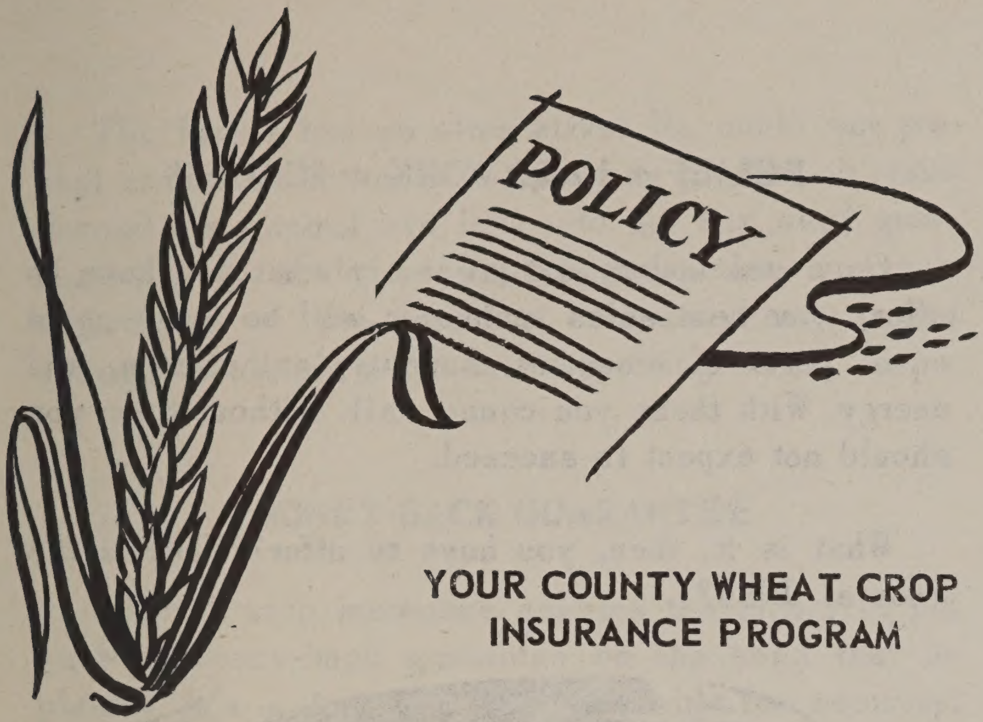
WHEAT Sales Handbook

1952

FEDERAL CROP INSURANCE CORPORATION

U.S. Department of Agriculture



YOUR COUNTY WHEAT CROP INSURANCE PROGRAM

The purpose of this handbook is to help you arrive at a better understanding of the Federal Crop Insurance program. Not that it is difficult. But it may be different, even though you might have been familiar with all its features a few years back. There have been changes from year to year in the ever-continuing effort to develop a sound crop insurance program that provides policyholders with greater cropping safety.

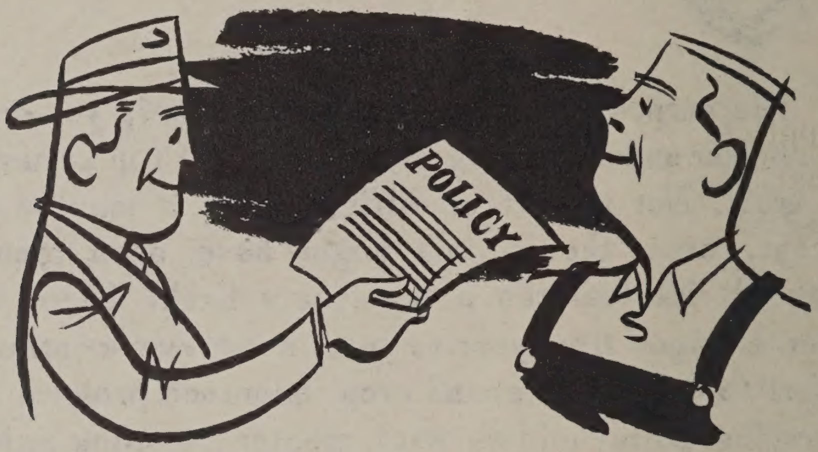
Without a solid grounding in its principles, you could hardly expect to win friends and influence prospects. You would be running the risk of offering something you couldn't deliver. And then your troubles would begin. Most of the genuine gripes can be traced to this.

If you will but learn definitely what it is you have to offer as a representative of your county crop insurance program, then OFFER THAT and nothing else, you should be able to do a world of business, retain all your friends, and keep your own self-respect. And as the years go by and the good results accumulate, you'll be happy that you were privileged to have a part in the building of a strong and sensible system for crop investment protection in the community.

BELIEF + HARD WORK = SUCCESS

Once you understand precisely what you have to offer, your best sales technique will be made up of equal parts of sincerity, honesty, enthusiasm, and energy. With these you cannot fail. Without them you should not expect to succeed.

What is it, then, you have to offer? What is the Federal Plan?



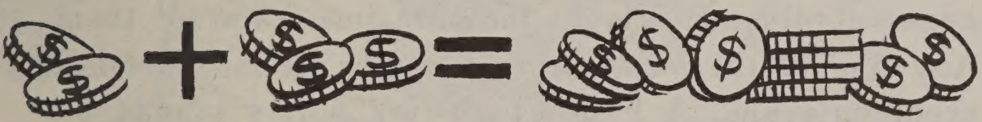
It might be likened to a bridge. Think of the deep, wide gap that yawns in the individual farmer's economy between the seeding and the harvest. You've seen ruined fields, where hope was dead. The Federal policy spans that gap. Not with the promise of a complete substitute for the vanished or damaged crop, but with a cash settlement that will remove a lot of the sting--enough to hold things together for another year or to prevent loss of profits made in other years.

In the old days, before the coming of Federal Crop Insurance, when a crop went bad the farmer lost not only the prospect of an abundant harvest but the money and labor spent on seed, land preparation, planting, and the other production costs.

The farmer had no alternative. He could not prevent crop destruction from the many production risks beyond his control and he could not buy seed guaranteed by the dealer to return his production expenses regardless of the weather, disease, and insect damage that might occur to the growing crop.

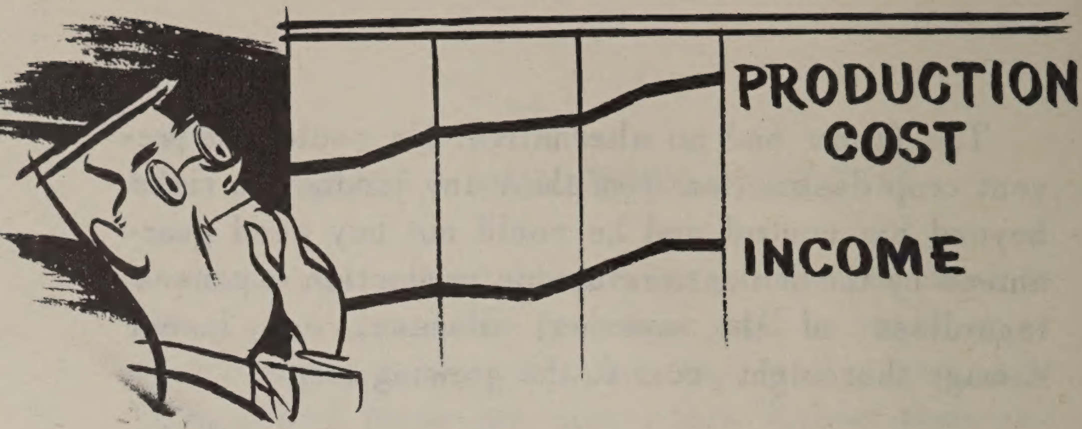
MONEY-BACK GUARANTEE

All-risk crop insurance enables the farmer to put such a money-back guarantee on the seed that he plants. It's a tremendous opportunity for security. It's only an opportunity until you get him to sign an application. Then, through insurance, he is guaranteed that, regardless of how heavy Mother Nature may lay her hand on his crop production effort, he is sure of getting a specified amount of production or an insurance check for the difference. Everyone knows



that in farming it takes money to make money. It's the money that it takes to make money that a crop insurance policy protects. It protects the most important part of the policyholder's crop return--the dollars spent to make the crop. Profit represents new dollars. Crop insurance protects the dollars invested for the purpose of getting all of them back and some more, too.

Which adds up to just what you have to offer--insurance protection. The soundness of insurance protection for the business man was well established before farmers even began to hope that some day they too could put their money into crop production with assurance that catastrophes could not take it from them.



NEED FOR INSURANCE IS GREATER TODAY

Because of the increased costs of producing a crop, investment protection looms larger in importance today than ever before. Income is greater, true, when everything clicks. But the farmer who loses his "cash expenses" nowadays suffers a body blow. A few such spell disaster.

And so many things can happen to a crop between the seeding and the harvest. There's plant disease and bugs and drought and flood and hail and frost and excessive rain and winds, to name but a few of them. Any one of them can bring disaster to the best-laid cropping plans. A Federal all-risk policy stands out against all these natural enemies.

By spending a few dollars for Federal Crop Insurance, the farmer automatically raises the level of his security, and at the place where a loss would hurt him most. These premium dollars protect the other cropping dollars all the way from planting through harvest. On thousands of farms each year, these FCIC premium dollars turn out to be the most important ones the owners invested.

All of this adds up to a rather simple problem. If offered seed that was guaranteed to return the investment regardless of all the natural handicaps, wouldn't most good farmers be willing to pay a little extra for seed carrying that protection? The answer is obvious.

Progressive farmers have jumped to welcome such ideas all the way along. Take the experience with hybrid seed corn, for example. In 1951, American farmers planted something like seventy million acres of hybrid corn. That's 81 percent of all the corn planted in the United States. If 81 percent can understand the value of spending a little extra for a chance at a better crop, at least that percentage should be able to understand the value of insurance that guarantees return of money spent to produce if crop disaster strikes. It costs little more to have this insurance that protects money that must be spent to produce a crop.

YOU INSURE TO PROTECT

Crop insurance differs from most of the other good things the farmer buys in that the most enthusiastic policyholder always hopes he will never have to make use of it. It's like a fire extinguisher, in that respect, or like plasma in a blood bank. It is a protective measure, a safety device. If the farmer does have occasion to use it, he may need it badly. In extreme cases, when the insured fields turn out as bare as Mother Hubbard's cupboard, the policy can spell the difference between survival and ruin. Just to have it, just to know it is there, pays off in the solid comfort it affords through

greater security for the dollars saved or borrowed. The farmer who protects his basic operating costs with crop insurance and looks to good yields and prices for his profits is the farmer who is approaching the ideal footing. He is a wise operator and a good person to have in any community. He can help YOU.

The wheat farmer with a crop insurance policy operates on a higher level of security than his neighbor who has decided to gamble with his crop production money or who thinks he knows that what happens every year to other good farmers couldn't happen to him. Thousands of farmers who report crop insurance losses every year say that it never happened before on their farms.

AN INSURANCE STORY

The story you have to tell is a good story. It is the story of insurance protection against unexpected disasters--investing a few additional dollars to make other dollars safe. There are many details in the operation of crop insurance which you need to know if you expect to serve your farm friends fully and answer their questions factually. But there is no need to explain program details before your prospect recognizes the value of crop insurance protection as an addition to the business side of his farming.

So don't lose the vision as you study the details set forth on the following pages. They'll help you answer and explain. They'll reinforce your faith, your courage. They'll help you to avoid blunders. They'll help clear up your thinking when the picture becomes blurred. They'll enable you to give the farmer who signs needed instructions regarding the performance required of him. But even program details should be put into your own living, breathing language and told in your own good way, the kind of talk you use in visiting with your friends. And maybe that's what good salesmanship is--just visiting *with a purpose.* Give it a try.

KNOW YOUR PRODUCT

ALL-RISK PROTECTION A Federal Crop Insurance policy protects money invested to produce a wheat crop. It covers loss of the

wheat investment due to unavoidable causes such as *drought, flood, hail, wind, frost, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, and plant disease.*

This policy protects against the production risks that man cannot control. It does not cover losses resulting from neglect or poor farming practices.

The protection begins at the time the wheat is seeded and continues until harvest but not later than ________________.

WHO MAY INSURE An application filed by a landlord, owner-operator, or tenant, when accepted, will cover all of his insurable wheat acreage in the county.

Each person having an interest in a wheat crop must file an application if his share is to be protected.

A separate application is required to cover the operations of a partnership or if the applicant is acting in a representative or fiduciary capacity, such as agent, administrator, executor, guardian, etc.

When the application is accepted, a Federal Crop Insurance policy will be mailed to the insured.

ACREAGE INSURED The policy will cover all insurable acreage of wheat in the county in which the insured has an interest at the time of planting.

Only acreage for which a coverage and rate have been established is insurable. But there will be no insurance on acreage seeded to wheat which is (1) destroyed or substantially destroyed before it is too late to re-seed and is not re-seeded, (2) seeded too

late to expect to produce a normal crop, (3) new ground acreage.

INSURANCE UNITS While one policy covers all of the insured's operations in the county, whether he has one farm or several farms, "insurance units" are considered in determining losses. In determining the acreage which constitutes an insurance unit, it is necessary to consider producers in three groups--owner-operator, landlord, or share tenant.

Insurance units are determined in the following manner based on the *insured's interest at the time of planting*: (Land rented for cash or for a fixed commodity payment is considered as owned by the lessee.)

(1) *For an owner-operator*, all insurable acreage in which he has 100 per cent interest in the crop plus any acreage owned by him and worked for him by sharecroppers is one insurance unit. (An applicant could have only one unit of this type.)

(2) *For a landlord*, all insurable acreage owned by him and rented to one share tenant is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) *For a share tenant*, all insurable acreage owned by one person and worked by the share tenant is one insurance unit. (A share tenant would have as many units of this type as he has landlords.)

Find out the producer's intended farming operations so that you can determine how many insurance units he has and can explain his coverage for each.

An applicant may combine all of his insurance units into one unit if he elects to do so by signing a Form FCI-2 Agreement. Such a combination usually will result in a greater reduction in the premium due to the increase in the size of acreage. *If the applicant elects to combine his units be sure he understands that no loss will be payable if the production for the combined unit equals the coverage for the combined unit.*

FIXED PRICE The fixed price is used to convert coverage, premiums and indemnities to their cash value. The fixed price for 195_ in the County is ______________ per bushel.

AMOUNT OF COVERAGE The county office will furnish you material from which the coverage for the farm can be determined. If possible you should know the coverage for the prospect's farm before you begin your talk with him.

Work out the coverage for each insurance unit. The producer's maximum protection for an insurance unit will be the coverage per acre (third stage) multiplied by the number of acres to be seeded and by the interest in the crop.

Point out to the producer that this amount of protection is only intended to cover most of the investment and that his profits must come from good crops.

Tell him how his coverage increases in three progressive stages as his investment in the crop increases. The three stages are:

First stage.--Acreage which is released and planted to a substitute crop.

Second stage.--Acreage not harvested and not planted to a substitute crop.

Third stage.--Acreage harvested.

The stage of production reached by the wheat crop for any acreage determines the coverage applicable on such acreage.

PREMIUM Through Federal Crop Insurance the Congress makes it possible for farmers to have investment protection which is not available to them through private sources. This places the farmer on equal footing with other businessmen who learned long ago that insurance is an essential part of their business operations. The administrative expenses of operating the program are provided by appropriation so that premiums are used only to pay losses to insured producers.

Figure out your prospect's premium on the basis of his intended acreage. The premium is determined by multiplying the insured acreage, by his interest in the crop, by the premium rate.

PREMIUM REDUCTIONS (1) There is a percentage reduction in premium when there are 25 or more acres insured in a unit. Be sure to point this out to large producers. The total acreage in the unit, and not the policyholder's share, will be used to figure this reduction from the table on page ______

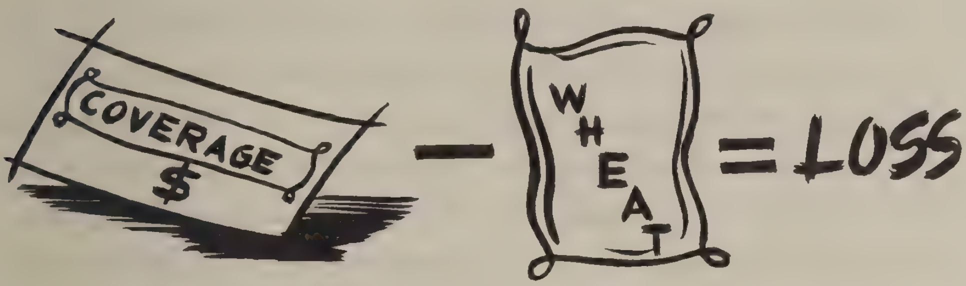
(2) The policyholder will get a 5 percent discount if he files his acreage report not later than ______________ and pays his premium by ______________. If the insured does not take advantage of the 5 percent discount, his premium will become due on ______________, which is the maturity date of the premium note.

(3) The insured will get a 25 percent reduction in premium for good experience when he has had seven consecutive insured wheat crops without a loss, or a 50 per cent reduction in premium when his accumulated

balance of premiums over indemnities for consecutively insured crops exceeds his harvested coverage. That's why it's very important that the insured keep his policy in force every year. He collects an indemnity when crop failure strikes and he gets the cost of his protection reduced if crop failures miss him.

(4) A reserve requirement is determined annually for the county. When the county's premium balance exceeds this requirement, a 30 percent reduction in premium will be allowed to county producers who were in the program the previous year.

The crop insurance premium is deductible as a farm operating expense on a farmer's income tax return. You may want to stress this point to some producers as it will reduce the net cost of this protection by the percent of the income tax bracket.



LOSSES Whenever the total production for an insurance unit is less than the insured coverage, an indemnity check will be issued to the policyholder promptly after the loss claim is approved. Production which will be subtracted from the coverage to determine the amount of loss will include:

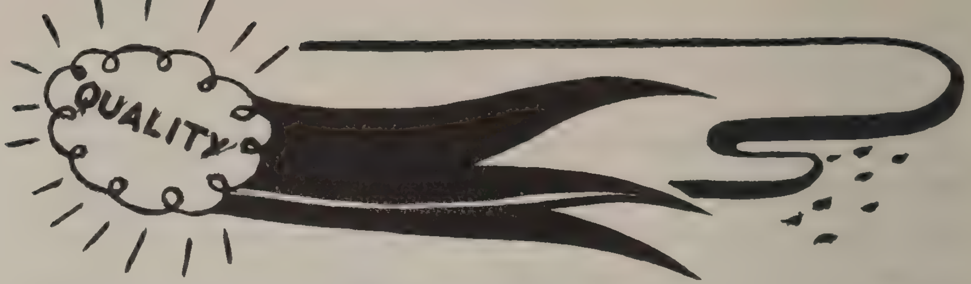
(1) Appraised production in excess of the coverage on acreage released in the first stage.

(2) Appraised production on acreage released in the second stage which is in excess of the difference between the coverages in the second and third stages.

(3) Harvested wheat.

(4) Appraised production of wheat lost from causes not insured against.

QUALITY IS PROTECTED TOO Explain that a crop insurance policy provides "quality" protection. An adjustment for quality will be made if the quality of any wheat produced has been damaged by insured causes so that it will not grade No. 3 or better if properly handled and its value is less than the lower of the fixed price or the CCC



county loan rate for No. 3 wheat.

In making quality adjustments the bushels of production counted will be determined by multiplying the number of bushels of poor wheat by its value and dividing the result by the lower of the fixed price of the CCC county loan rate for No. 3 wheat. Thus the insured may receive an indemnity even though he has produced a greater number of bushels than his coverage.

IMPORTANT After the producer has signed an application, be sure to stress the following points to him:

(1) Material damage to the insured crop must be reported immediately after the damage occurs.

(2) Any loss must be reported immediately after harvest is completed.

(3) Damaged wheat acreage must not be put to another use until it is released in writing by an adjuster.

(4) Loss reports and requests for release of acreage should be made to the county office in writing.

(5) The contract continues in force for each crop year until cancelled by the insured or by the Corporation.

(6) If changes are made in the contract, the insured will be advised of these changes in advance of the cancellation date.

Collateral Assignment.--The original insured may assign his right to an indemnity in any year as collateral for a loan or other obligation by executing Form FCI-20, "Collateral Assignment," and filing it at the county office. A Federal Crop Insurance policy will make any producer a better credit risk since it may provide the necessary security to enable him to obtain financing. This feature can be stressed to good advantage as a selling point from the standpoint of both the producer and the lending or credit institution.

Transfer of Interest.--The transferee may have protection under the insured's contract if he executes a transfer of interest form at the county office within 15 days after the transfer occurs. The original insured continues to be liable for any premium due on the acreage and interest transferred if it is not paid by the transferee.

Hail Insurance.--The amount of a Federal Crop Insurance indemnity will not be reduced because the farmer also carries hail insurance. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only the one risk while Federal Crop Insurance covers essentially all unavoidable risks.

FILLING OUT APPLICATION

PREPARATION OF FORM The applicant's name should be printed in the space provided at the top of the form exactly as it is to be signed. If you follow the very good practice of filling out the form before you urge the producer to sign, you will want to ask how he signs his business papers.

The following entries are to be made in the space provided in the heading of the application before it is signed by the applicant: (1) name of the insured crop, (2) first crop year of the contract.

Enter the date of the applicant's signature in the space provided. You should sign as witness to the applicant's signature. If the applicant's signature is by mark, the signature of a second witness must be obtained if the county office has so instructed you.

Enter in the box at the bottom of the application information as to the location of the farm(s) of the applicant or his headquarters and his telephone number if he has one. This information is for future use in servicing the contract and should be such that it will assist an adjuster in locating the farm(s) or the place where the applicant can be contacted. *This does not mean that the insurance is limited to these farms.*

SIGNATURES Applications should be signed with indelible pencil or ink and *must be handwritten,* not printed.

When a person signs in a representative capacity he must write (1) the name of the principal for whom he is acting, (2) his own signature, and (3) the capacity in which he signs.

Following are some examples of signatures correctly affixed:

(1) *As an individual:*

a. John T. Smith
b. J. Thomas Smith
c. Mary L. Smith

(2) *As agent:*

a. John T. Smith, by Henry O. Brown, Agent
b. Smith and Jones, a partnership, by George E. Miles, Agent

(3) *As member of partnership:*

a. Smith and Jones, by John T. Smith, a partner

The above types of signatures cover most cases If you should obtain an application with a signature that you are doubtful about, call this to the attention of the county office. Should you need additional information regarding the correct manner of affixing a signature, you may obtain it at the county office.

YOUR SALES REPORT

You are required to make regular reports of contacts and sales to the county office on the form to be provided for that purpose.

Information needed for your sales report includes (1) name of each person contacted, (2) date contacted, (3) if application is signed, the number of insurance units covered, and (4) if application is not signed, brief reasons why and whether you will re-contact him.

PREMIUM REDUCTION TABLE FOR SIZE OF ACREAGE

The following table shows the amount of reduction in annual premiums where the insured acreage on an insurance unit is 25 acres or more:

ACREAGE	PER CENT REDUCTION
0 - 24.9	0
25 - 74.9	1
75 - 124.9	2
125 - 174.9	3
175 - 224.9	4
225 - 274.9	5
275 - 324.9	6
325 - 374.9	7
375 - 424.9	8
425 - 474.9	9
475 - 524.9	10
525 - 574.9	11
575 - 624.9	12
625 - 674.9	13
675 - 724.9	14
725 - 774.9	15
775 - 824.9	16
825 - 874.9	17
875 - 924.9	18
925 - 974.9	19
975 -- over	20

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